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Highlights news, reviews and developments.



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Want to find out more about ABS labour statistics? Contacts, training courses and ABS labour statistics publications.

About this Release

This product contains annual supplementary measures of labour underutilisation and employment type, as well as analyses of contemporary labour market issues and information about the latest developments in the Australian Bureau of Statistics (ABS) labour statistics program.

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WHAT'S NEW?

Welcome to the latest issue of Australian Labour Market Statistics (cat. no. 6105.0), a product which helps you stay informed about key labour market measures and the latest developments in the Australian Bureau of Statistics (ABS) labour statistics program.

WHAT'S IN THIS ISSUE?

This issue highlights some news from the ABS labour statistics program, including:

- Release advice relating to Average Weekly Earnings; and
- Outcomes of the Labour Household Surveys Content Review.

See the Labour Statistics News page for more details on these developments.

Australian Labour Market Statistics includes three annual datacubes which provide supplementary information on labour force underutilisation (volume and extended measures) and on employment type. These datacubes have been updated in this issue.

This issue also contains a feature article exploring volume measures of labour underutilisation, as well as links to articles that have recently been published in Labour Force, Australia (cat. no. 6202.0), Forms of Employment, Australia (6359.0) and Employee Earnings, Benefits and Trade Union Membership, Australia (cat. no. 6310.0).

CHANGES TO AUSTRALIAN LABOUR MARKET STATISTICS

As announced in the April issue of Australian Labour Market Statistics (cat. no. 6105.0), changes are being made from this issue on. This issue will be the final regular quarterly issue of this product, which will continue to be released on an irregular basis and include data tables that are not contained in other standard ABS products, until such time as they are incorporated in other ABS standard products.

Earlier editions of this publication contained tables which have now been incorporated into other standard ABS products. The data tables:

- Employed persons: future employment expectations by job tenure;
- Unemployed persons: reason for unemployment by industry and occupation of last job; and
- Underemployed: industry and occupation,

are now available in Labour Force, Australia, Detailed, Quarterly (cat. no. 6291.0.55.003) and will continue to be updated every quarter. These are shown as excel tables, numbered Table 17, 18 and 19, in the Downloads tab of the publication.

The data table:

- All families, Family type by labour force status

will be incorporated into the next issue of Labour Force, Australia: Labour Force Status and Other Characteristics of Families (cat. no. 6224.0.55.001), which is scheduled for release later this year.

Australian Labour Market Statistics (cat. no. 6105.0) will continue to include the data tables:

- Extended labour force underutilisation rate;
- Volume measures of labour underutilisation; and
- Employment type time series,

and will update them annually, until such time as they are incorporated in other ABS standard products.

In addition, there are further changes to the content for this issue, with content such as Summary Measures, Glossary and Explanatory Notes being removed. Updates on labour market statistical developments, analytical articles and future news will be available through the Labour Topics @ a Glance page.

If you would like further information about the upcoming changes to Australian Labour Market Statistics (cat. no. 6105.0) please contact Kirsty Leslie on (02) 6252 5436 or email kirsty.leslie@abs.gov.au.

FEEDBACK AND COMMENTS

If you have any questions about aspects of the labour statistics program, you can contact us on (02) 6252 7206 or email labour.statistics@abs.gov.au.

The Find out more page contains further information and contact details.

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Labour Statistics News

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LABOUR STATISTICS NEWS

The Australian Bureau of Statistics is undertaking a range of work to improve the relevance of labour market statistics and promote the effective use of these statistics. Labour Statistics News provides an overview of this work including contacts for further information.

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Changes to Average Weekly Earnings

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CHANGES TO AVERAGE WEEKLY EARNINGS

FREQUENCY CHANGE OF AVERAGE WEEKLY EARNINGS SERIES

The frequency of the average weekly earnings series is changing from quarterly to biannual in 2012. The May 2012 publication will be the last quarterly issue (released in August 2012), with the November 2012 publication the first produced on a biannual basis (released in February 2013). From 2013 onwards, AWE data will be produced twice a year relating to the May and November quarters. This was first advised to users in the May 2011 issue of Average Weekly Earnings (cat. no. 6302.0), providing a fifteen month notice period to ensure AWE

users have sufficient notice of the change. The collection methodology will not change - data will be collected for the reference week ending the third Friday of the third week of the middle month of the quarter, and released on the same basis as before for the two remaining quarters.

An assessment of the feasibility of releasing seasonally adjusted and trend estimates determined that seasonal factors remain present and can be calculated on a biannual basis. However, it should be noted that calculating seasonally adjusted and trend estimates using only two points of measurements each year, rather than the four points available in a quarterly survey, will likely result in a change in the level of these series.

An information paper containing further details about these changes was released on 16 April 2012 and is available on the ABS website. Please see: Information Paper: Changes to Average Weekly Earnings, Australia, April 2012 (cat. no. 6302.0.55.002).

If you would like further information about the forthcoming changes to Average Weekly Earnings statistics please contact the Manager, Survey of Average Weekly Earnings on Perth (08) 9360 5304.

RELEASE OF AVERAGE WEEKLY CASH EARNINGS SERIES

The average weekly cash earnings series inclusive of salary sacrifice has been released since the May 2011 issue of Average Weekly Earnings, Australia (cat. no. 6302.0), and is available on the ABS Website Downloads tab of this release, under the data cubes heading. An information paper titled Information Paper: Release of Average Weekly Cash Earnings Series (cat. no. 6302.0.55.003) was released on 21 July 2011 outlining the background to the series, the classifications and time periods to be released, and where to find the data on the website.

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Information Paper: Outcomes of the Labour Household Surveys Content Review

For further information please contact Kirsty Leslie on (02) 6252 5436 or email <kirsty.leslie@abs.gov.au>.

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AUSTRALIAN LABOUR MARKET STATISTICS ARTICLE ARCHIVE: APRIL 2003 - CURRENT

This section provides an archive of articles and analysis published in Australian Labour Market Statistics, promoting the effective use of labour market statistics. Articles are sorted by topic.

Articles on labour related topics are also regularly released in Australian Social Trends (cat. no. 4102.0).

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Most Recent Articles

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VOLUME MEASURES OF LABOUR UNDERUTILISATION

MEASURES OF LABOUR UNDERUTILISATION

The number of unemployed persons and the unemployment rate are widely used as measures of the extent of underutilisation of labour resources in the economy. While the ABS continues its commitment to producing labour force statistics based on internationally accepted definitions, it also recognises that the headline unemployment rate cannot satisfy all the purposes for which such data are required. The ABS provides a wide range of data on available labour resources and the extent of labour utilisation. Supplementary measures based on these data can be used to give a broader perspective on the meaning and measurement of unemployment, underemployment and underutilised labour.

To understand the structure and the dynamics of the labour market, the ABS releases a range of measures relating to labour underutilisation. The main measures are:

- the unemployment rate, which is the percentage of people in the labour force who were not employed and were actively looking and available for work (or waiting to start a job within four weeks, that was unavailable until that time);
- the underemployment rate, which captures those who are currently employed, but are willing and able to work more hours;
- the labour force underutilisation rate, which combines the unemployment and underemployment rate, representing the percentage of the labour force that is willing and able to do more work. It provides an alternative, and more comprehensive, picture of potential labour market supply; and
- the extended labour force underutilisation rate, which adds together the unemployed, underemployed plus two groups of people marginally attached to the labour force: persons actively looking for work, not available to start work in the reference week, but available to start work within four weeks; and discouraged jobseekers. This represents a broader measure of underutilised labour.

LABOUR UNDERUTILISATION: VOLUME OR HEADCOUNT MEASURES?

The ABS measures labour underutilisation using two approaches: counts and rates of people (headcount measures) and counts and rates of hours (volume measures). Headcount measures relate to the number people whose labour is not being fully used, and provide us with a picture of the extent to which people's aspirations for work are not being met, who as of a result may be suffering financially and personally. Whether people are unemployed or underemployed, not all people are in search of work (or more work) or require the same number of hours of work. Volume measures relate to the number of hours sought and additional hours preferred by individuals, or in other words, the number of potential hours of labour that are not being used. They provide us with a picture of the amount of additional capacity of hours in labour supply, and the potential to contribute to the production of goods and services. For this reason, volume measures of underutilisation are often more relevant for analysing the spare capacity of the labour force than headcount measures.

The annual volume measures of labour underutilisation have now been updated for August 2011 and are presented in this article and on the downloads tab. Data for the annual extended headcount measures are presented in the extended labour force underutilisation rate datacube of this publication.

VOLUME MEASURES OF LABOUR UNDERUTILISATION

Volume measures of labour underutilisation are compiled using information from the Labour Force Survey (LFS) and two labour force supplementary surveys: the Job Search Experience survey in July and the Underemployed Workers survey in September.

They are calculated by dividing the number of hours of underutilised labour in the labour force by the total potential hours in the labour force. Underutilised hours are comprised of:

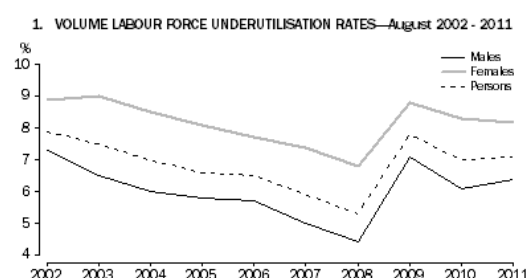
- for unemployed people: the number of hours of work sought;
- for part-time underemployed people: the number of additional hours preferred; and
- for full-time underemployed people (i.e. full-time employed people who worked less than 35 hours in the reference week for economic reasons): the difference between the number of hours usually worked and actually worked in the reference week.

The total potential hours in the labour force is the sum of the hours usually worked by all employed people, plus the number of hours of underutilised labour as described above. The three volume measures of labour force underutilisation produced by the ABS are summarised in Table 1 below. For a more detailed explanation of these measures please see the article '[Labour Underutilisation](#)' in the July 2003 issue of **Australian Labour Market Statistics**. The extended labour force underutilisation rate is not produced as a volume measure, as information on the preferred hours of those marginally attached to the labour force is not collected.

1. ABS volume measures of labour force underutilisation	
Measure	Description
Volume unemployment rate	The hours of labour preferred by unemployed persons, as a percentage of the volume of potential hours in the labour force.
Volume underemployment rate	The additional hours of labour preferred by underemployed workers, as a percentage of the volume of potential hours in the labour force.
Volume labour force underutilisation rate	The total volume of underutilised labour in the labour force (hours preferred by those in unemployment, plus additional hours preferred by those in underemployment), as a percentage of the volume of potential hours in the labour force.

Graph 1 shows the movements in the volume labour force underutilisation rate between August 2002 (7.9%) and August 2011 (7.1%). There was a steady decline in the rate between 2002 and 2008, when it fell from 7.9% to 5.3%. This trend is consistent with other measures, including the headcount measures of labour underutilisation, in suggesting a general tightening in the labour market over this period. The sharp increase to 7.8% in 2009 coincided with the global financial crisis, with increasing unemployment and underemployment both contributing to the rise in underutilisation.

While the volume labour force underutilisation rate has been consistently lower for males than for females over the ten years to August 2011, the decline for males (from 7.3% to 6.4%) has been proportionally greater than that for females (from 8.9% to 8.2%) over the same period.



Source: Australian Labour Market Statistics (cat. no. 6105.0).

COMPARISONS OF VOLUME AND HEADCOUNT MEASURES

Table 2 compares the volume measures of labour underutilisation with the corresponding headcount measures. In August 2011, around 11% of the labour force was underutilised. The potential labour of those 11% who were underutilised in August 2011, was around 450 million hours - which is just over 7% of the total potential hours in the labour force.

The volume unemployment rate in August 2011 was 0.7 percentage points lower than the headcount unemployment rate, while the volume underemployment rate was 4.1 percentage points lower than the headcount rate. Volume measures are usually lower than headcount measures, as the average number of potential extra hours of unemployed or underemployed people is generally less than the average hours actually worked by employed people.

2. MEASURES OF LABOUR UNDERUTILISATION, Selected headcount and volume measures - August 2011

	Males %	Females %	Persons %
Unemployment rate			
Headcount measure	5.1	5.1	5.1
Volume measure	4.3	4.5	4.4
Underemployment rate			
Headcount measure (a)	5.0	8.3	6.8
Volume measure	2.1	3.7	2.7
Labour force underutilisation rate			
Headcount measure (a)	9.8	12.7	11.1
Volume measure	6.4	8.2	7.1

(a) To provide greater comparability with the volume measures, in this table data on the number of underemployed full-time workers are sourced from the Labour Force Survey rather than the Underemployed Workers Survey.

Source: Australian Labour Market Statistics (cat. no. 6105.0).

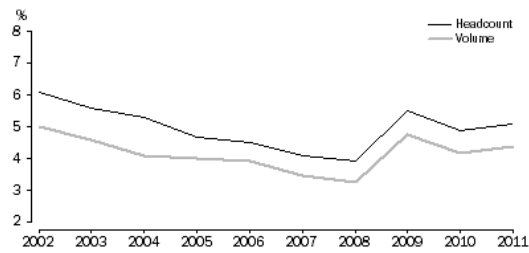
Unlike the headcount measures, volume measures take into account the number of hours worked or preferred by individuals and this has the effect of weighting people according to the number of hours they either worked or preferred. If the hours preferred by the unemployed and the underemployed were as high as those worked by the employed, then the headcount and volume measures would be of the same magnitude. However, this is generally not the case. For example, the large difference between the headcount and volume underemployment rates (6.8% and 2.7%, respectively) reflects the large difference between the usual hours worked by those employed (36.4 hours a week) and those preferred by the underemployed (14.8 hours a week).

Graphs 2 and 3 compare the headcount and volume unemployment and underemployment rates between 2002 and 2011, and show that the volume measure, whilst lower than the headcount measure, tends to move in a similar pattern. Graph 2 shows the gap between the headcount and volume unemployment measure narrowing over time, from 1.1 percentage points in 2002 to 0.7 percentage points in each year from 2005, which was driven by an increase in the average number of hours sought by unemployed people.

Graph 3 shows that the headcount underemployment rate has been consistently higher than the volume underemployment rate for over a decade. This shows that, whereas the number of underemployed people are a significant proportion of the total number of persons with underutilised labour, the volume of additional labour offered by underemployed workers accounts for a much smaller proportion of the volume of underutilised labour; the additional hours sought may be as little as a few hours. As with the measures of unemployment, the headcount and volume measures of underemployment rose in 2009 as many firms responded to the global financial crisis by reducing people's work hours instead of laying off staff. While the headcount measure of underemployment increased by 1.9 percentage points, the volume measure increased by a lesser extent - just 0.9 percentage points. This reflects the increased number of full-time underemployed people over this period, who had a proportionally lower number of additional preferred hours than the continuing underemployed population.

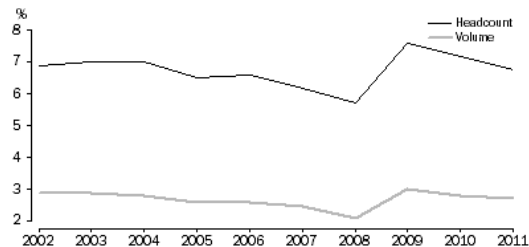
(from September 2008 to September 2009, the proportion of full-time working males who were underemployed increased from 0.8% to 1.3%).

2. MEASURES OF UNEMPLOYMENT, Persons



Source: Australian Labour Market Statistics (cat. no. 6105.0).

3. MEASURES OF UNDEREMPLOYMENT, Persons



Source: Australian Labour Market Statistics (cat. no. 6105.0).

POTENTIAL LABOUR IN THE LABOUR FORCE

The volume of potential labour preferred by the different population groups contributing to the volume measures, as well as the volume measures of labour force underutilisation rates, are shown in Table 3. In August 2011, hours preferred by the unemployed continued to form the largest component of the volume labour force underutilisation rate, accounting for 61.9% of the volume of unutilised labour. For males, hours preferred by the unemployed formed more than two thirds (67.8%) of the male volume labour force underutilisation rate. About 79.9% of unemployed males were looking for full-time work, compared to 60.5% of unemployed females.

For females, the potential hours of labour are more evenly split between the unemployed and underemployed, with unemployed females accounting for 55.2% of the additional hours sought by females. The total volume labour force underutilisation rate is over 1.8 percentage points higher among females (8.2%) than males (6.4%).

3. VOLUME MEASURES OF LABOUR UNDERUTILISATION - August 2011

		Males	Females	Persons
Volume of potential labour in the labour force				
Unemployed persons (hours of work sought)	'000 hours	11 679.4	7 944.8	19 555.6
Looking for full-time work	'000 hours	5 500.2	3 416.9	8 841.7
Looking for part-time work	'000 hours	2 581.1	2 229.6	2 438.3
Underemployed workers (additional hours of work preferred)	'000 hours	5 552.8	6 453.3	12 025.9
Underemployed full-time workers(a)	'000 hours	1 408.3	227.8	1 636.1
Underemployed part-time workers	'000 hours	4 205.2	5 943.8	10 149.0
Total volume of underutilised labour in the labour force	'000 hours	17 232.2	14 398.1	31 581.5
Employed persons (usual hours of work performed)(b)	'000 hours	252 230.2	160 597.3	412 827.5
Full-time workers	'000 hours	233 740.5	115 122.55	348 863.0
Part-time workers	'000 hours	18 489.6	45 474.8	63 964.5
Total volume of potential labour in the labour force(c)	'000 hours	269 462.4	174 995.4	444 409.0
Volume measures of labour force underutilisation				
Volume unemployment rate	%	4.3	4.5	4.4
Volume underemployment rate	%	2.1	3.7	2.7
Volume labour force underutilisation rate	%	6.4	8.2	7.1

(a) Full-time workers who worked less than 35 hours in the reference week for economic reasons (e.g. stood down, on short time or insufficient work).

(b) Actual hours worked in the reference week for underemployed full-time workers and usual hours worked for all other employed persons.

(c) Hours work preferred by unemployed persons, plus the total hours of work preferred by underemployed workers, plus the usual hours worked by employed persons who were not underemployed.

Source: ABS Australian Labour Market Statistics (6105.0).

Though underemployed workers want a significant number of extra hours of work, the volume of extra hours desired is generally less than the volume of hours desired by the unemployed reflecting that they are already contributing hours of work to the labour force. As a result, on an hours-adjusted or volume measure, unemployment may be seen as more important than underemployment. On average, unemployed people preferred 30.4 hours per week in August 2011, with males preferring 33.3 hours compared to 27.2 hours for females (Table 4). On average underemployed people preferred an additional 14.8 hours of labour per week, with males again preferring more hours (16.8 hours) than females (13.5 hours).

4. UNDERUTILISED LABOUR, Mean number of weekly hours preferred by selected groups - August 2011

	Males	Females	Persons
	hours	hours	hours
Unemployed persons (hours of work preferred)	33.3	27.2	30.4
Looking for full-time work	38.7	37.9	38.4
Looking for part-time work	18.8	19.4	19.2

Underemployed workers (additional hours of work preferred)	16.7	13.5	14.8
Underemployed full-time workers	24.0	18.3	23.0
Underemployed part-time workers	15.2	13.3	14.1

Source: Labour Force Survey, Australia (cat. no. 6202.0); Job Search Experience, Australia (cat. no. 6222.0); Underemployed Workers, Australia (cat. no. 6265.0)

FUTURE DEVELOPMENTS IN VOLUME MEASURES

From July 2013, the ABS intends to increase the frequency of the volume measures of labour from annual to quarterly, and change the source from the Job Search Experience and Underemployed Workers supplementary surveys to the LFS.

FURTHER INFORMATION

For further information on the concepts behind the volume measures, see the 'Experimental volume measures of labour underutilisation' article in the July 2003 issue of Australian Labour Market Statistics (cat. no. 6105.0).

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Other Labour Market Related Articles

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Articles that have recently been published in Labour Force, Australia (cat. no. 6202.0), Forms of Employment, Australia (6359.0) and Employee Earnings, Benefits and Trade Union Membership, Australia (cat. no. 6310.0):

- Employment and mining in Queensland, New South Wales and Western Australia
- Population benchmarks and the Labour Force Survey
- ABS response to recent concerns expressed about employment estimates
- Annual seasonal reanalysis of the Labour Force Survey
- Casual employment
- Trade union membership

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FURTHER INFORMATION

For further information or queries regarding labour related statistics, contact the Labour Market Statistics Section on (02) 6252 7206 or email <labour.statistics@abs.gov.au>.

Published information is available free of charge on the ABS website. Where data are not available on our website at the level of detail you require, the ABS can provide you with customised data to meet your specific requirements. To discuss options and for help finding and accessing ABS products and services please contact the National Information Referral Service on 1300 135 070. This service can provide a wide range of data on a fee for service basis and provide you with an obligation free quote.

All key labour statistical releases and publications can be found at the Labour Releases section of the Labour Topics @ a Glance page.

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ABOUT THE ABS LABOUR STATISTICS PROGRAM

LABOUR MARKET STATISTICS NATIONAL STATISTICS CENTRE

The Labour Market Statistics National Statistics Centre provides statistical leadership in the development, production and dissemination of labour market statistics. The area undertakes a range of activities to:

- promote the effective use of labour statistics;
- influence the development of national and international frameworks, and assist with their implementation; and
- improve the relevance of labour market statistics produced by the ABS.

The Labour Market Statistics National Statistics Centre represents the interests of key users to ensure that their requirements are reflected in the program of ABS household and employer based collections. It promotes strategies for increasing the awareness of, and access to, both ABS and non-ABS data on labour market issues. The section seeks to improve users' understanding of labour market data to encourage the effective use of this data in discussions about labour market issues, for example through presenting the Introduction to Labour Statistics course and maintaining the Labour Statistics: Concepts, Sources and Methods (cat. no. 6102.0.55.001). For more information please contact Kirsty Leslie (Director) on (02) 6252 5436 or email <kirsty.leslie@abs.gov.au>.

LABOUR EMPLOYER SURVEYS BUSINESS STATISTICS CENTRE

The Labour Employer Surveys Business Statistics Centre is based in Perth and is responsible for a suite of national surveys which provide information about the structure and performance of the Australian labour market. Data are collected and produced in relation to average weekly earnings, job vacancies, industrial disputes, and employee earnings and hours. For more information about these surveys, please contact Lesley Martin (Acting Director) on (08) 9360 5320 or email <lesley.martin@abs.gov.au>.

LABOUR FORCE AND SUPPLEMENTARY SURVEYS HOUSEHOLD SURVEY CENTRE

The Labour Force and Supplementary Surveys Household Survey Centre is responsible for the management of the Monthly Population Survey (MPS) which provides extensive information covering Australian labour supply and demand, and workplace relations. The MPS includes the Labour Force Survey, Labour Supplementary Surveys (LSS) and the Multipurpose Household Survey (MPHS). The Labour Force Survey provides monthly estimates of the number of employed and unemployed people, the unemployment rate and the labour force participation rate. The LSS and MPHS collect information on a range of labour topics including forms of employment, job search experience, labour mobility, employee earnings, benefits and trade union memberships, underemployed workers, people not in the labour force, retirement, and work-related injuries. For more information about the work of this section, please contact Colin Rogers (Acting Director) on (02) 6252 7380 or email <c.rogers@abs.gov.au>.

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Volume Measures of Labour Force Underutilisation (Feature Article)

VOLUME MEASURES OF LABOUR UNDERUTILISATION

MEASURES OF LABOUR UNDERUTILISATION

The number of unemployed persons and the unemployment rate are widely used as measures of the extent of underutilisation of labour resources in the economy. While the ABS continues its commitment to producing labour force statistics based on internationally accepted definitions, it also recognises that the headline unemployment rate cannot satisfy all the purposes for which such data are required. The ABS provides a wide range of data on available labour resources and the extent of labour utilisation. Supplementary measures based on these data can be used to give a broader perspective on the meaning and measurement of unemployment, underemployment and underutilised labour.

To understand the structure and the dynamics of the labour market, the ABS releases a range of measures relating to labour underutilisation. The main measures are:

- the unemployment rate, which is the percentage of people in the labour force who were not employed and were actively looking and available for work (or waiting to start a job within four weeks, that was unavailable until that time);
- the underemployment rate, which captures those who are currently employed, but are willing and able to work more hours;
- the labour force underutilisation rate, which combines the unemployment and underemployment rate, representing the percentage of the labour force that is willing and able to do more work. It provides an alternative, and more comprehensive, picture of potential labour market supply; and
- the extended labour force underutilisation rate, which adds together the unemployed, underemployed plus two groups of people marginally attached to the labour force: persons actively looking for work, not available to start work in the reference week, but available to start work within four weeks; and discouraged jobseekers. This represents a broader measure of underutilised labour.

LABOUR UNDERUTILISATION: VOLUME OR HEADCOUNT MEASURES?

The ABS measures labour underutilisation using two approaches: counts and rates of people (headcount measures) and counts and rates of hours (volume measures). Headcount measures relate to the number people whose labour is not being fully used, and provide us with a picture of the extent to which people's aspirations for work are not being met, who as a result may be suffering financially and personally. Whether people are unemployed or underemployed, not all people are in search of work (or more work) or require the same number of hours of work. Volume measures relate to the number of hours sought and additional hours preferred by individuals, or in other words, the number of potential hours of labour that are not being used. They provide us with a picture of the amount of additional capacity of hours in labour supply, and the potential to contribute to the production of goods and services. For this reason, volume measures of underutilisation are often more relevant for analysing the spare capacity of the labour force than headcount measures.

The annual volume measures of labour underutilisation have now been updated for August 2011 and are presented in this article and on the downloads tab. Data for the annual extended headcount measures are presented in the extended labour force underutilisation rate datacube

of this publication.

VOLUME MEASURES OF LABOUR UNDERUTILISATION

Volume measures of labour underutilisation are compiled using information from the Labour Force Survey (LFS) and two labour force supplementary surveys: the Job Search Experience survey in July and the Underemployed Workers survey in September.

They are calculated by dividing the number of hours of underutilised labour in the labour force by the total potential hours in the labour force. Underutilised hours are comprised of:

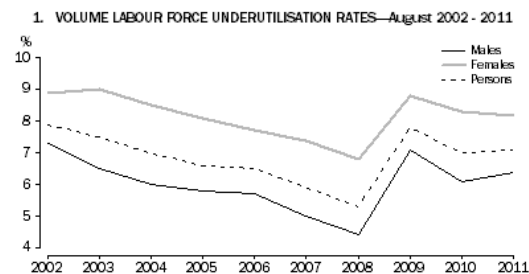
- for unemployed people: the number of hours of work sought;
- for part-time underemployed people: the number of additional hours preferred; and
- for full-time underemployed people (i.e. full-time employed people who worked less than 35 hours in the reference week for economic reasons): the difference between the number of hours usually worked and actually worked in the reference week.

The total potential hours in the labour force is the sum of the hours usually worked by all employed people, plus the number of hours of underutilised labour as described above. The three volume measures of labour force underutilisation produced by the ABS are summarised in Table 1 below. For a more detailed explanation of these measures please see the article 'Labour Underutilisation' in the July 2003 issue of **Australian Labour Market Statistics**. The extended labour force underutilisation rate is not produced as a volume measure, as information on the preferred hours of those marginally attached to the labour force is not collected.

1. ABS volume measures of labour force underutilisation	
Measure	Description
Volume unemployment rate	The hours of labour preferred by unemployed persons, as a percentage of the volume of potential hours in the labour force.
Volume underemployment rate	The additional hours of labour preferred by underemployed workers, as a percentage of the volume of potential hours in the labour force.
Volume labour force underutilisation rate	The total volume of underutilised labour in the labour force (hours preferred by those in unemployment, plus additional hours preferred by those in underemployment), as a percentage of the volume of potential hours in the labour force.

Graph 1 shows the movements in the volume labour force underutilisation rate between August 2002 (7.9%) and August 2011 (7.1%). There was a steady decline in the rate between 2002 and 2008, when it fell from 7.9% to 5.3%. This trend is consistent with other measures, including the headcount measures of labour underutilisation, in suggesting a general tightening in the labour market over this period. The sharp increase to 7.8% in 2009 coincided with the global financial crisis, with increasing unemployment and underemployment both contributing to the rise in underutilisation.

While the volume labour force underutilisation rate has been consistently lower for males than for females over the ten years to August 2011, the decline for males (from 7.3% to 6.4%) has been proportionally greater than that for females (from 8.9% to 8.2%) over the same period.



COMPARISONS OF VOLUME AND HEADCOUNT MEASURES

Table 2 compares the volume measures of labour underutilisation with the corresponding headcount measures. In August 2011, around 11% of the labour force was underutilised. The potential labour of those 11% who were underutilised in August 2011, was around 450 million hours - which is just over 7% of the total potential hours in the labour force.

The volume unemployment rate in August 2011 was 0.7 percentage points lower than the headcount unemployment rate, while the volume underemployment rate was 4.1 percentage points lower than the headcount rate. Volume measures are usually lower than headcount measures, as the average number of potential extra hours of unemployed or underemployed people is generally less than the average hours actually worked by employed people.

2. MEASURES OF LABOUR UNDERUTILISATION, Selected headcount and volume measures - August 2011

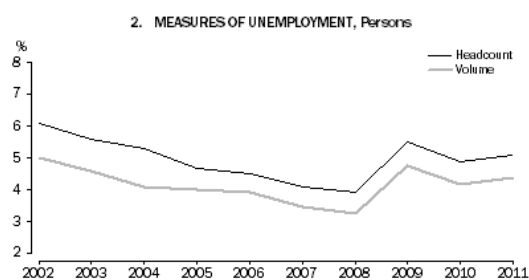
	Males %	Females %	Persons %
Unemployment rate			
Headcount measure	5.1	5.1	5.1
Volume measure	4.3	4.5	4.4
Underemployment rate			
Headcount measure (a)	5.0	8.3	6.8
Volume measure	2.1	3.7	2.7
Labour force underutilisation rate			
Headcount measure (a)	9.8	12.7	11.1
Volume measure	6.4	8.2	7.1

(a) To provide greater comparability with the volume measures, in this table data on the number of underemployed full-time workers are sourced from the Labour Force Survey rather than the Underemployed Workers Survey.
Source: Australian Labour Market Statistics (cat. no. 6105.0).

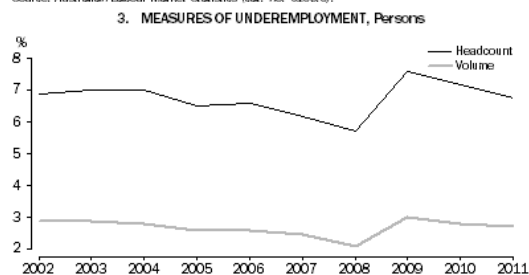
Unlike the headcount measures, volume measures take into account the number of hours worked or preferred by individuals and this has the effect of weighting people according to the number of hours they either worked or preferred. If the hours preferred by the unemployed and the underemployed were as high as those worked by the employed, then the headcount and volume measures would be of the same magnitude. However, this is generally not the case. For example, the large difference between the headcount and volume underemployment rates (6.8% and 2.7%, respectively) reflects the large difference between the usual hours worked by those employed (36.4 hours a week) and those preferred by the underemployed (14.8 hours a week).

Graphs 2 and 3 compare the headcount and volume unemployment and underemployment rates between 2002 and 2011, and show that the volume measure, whilst lower than the headcount measure, tends to move in a similar pattern. Graph 2 shows the gap between the headcount and volume unemployment measure narrowing over time, from 1.1 percentage points in 2002 to 0.7 percentage points in each year from 2005, which was driven by an increase in the average number of hours sought by unemployed people.

Graph 3 shows that the headcount underemployment rate has been consistently higher than the volume unemployment rate for over a decade. This shows that, whereas the number of underemployed people are a significant proportion of the total number of persons with underutilised labour, the volume of additional labour offered by underemployed workers accounts for a much smaller proportion of the volume of underutilised labour; the additional hours sought may be as little as a few hours. As with the measures of unemployment, the headcount and volume measures of underemployment rose in 2009 as many firms responded to the global financial crisis by reducing people's work hours instead of laying off staff. While the headcount measure of underemployment increased by 1.9 percentage points, the volume measure increased by a lesser extent - just 0.9 percentage points. This reflects the increased number of full-time underemployed people over this period, who had a proportionally lower number of additional preferred hours than the continuing underemployed population (from September 2008 to September 2009, the proportion of full-time working males who were underemployed increased from 0.8% to 1.3%).



Source: Australian Labour Market Statistics (cat. no. 6105.0).



Source: Australian Labour Market Statistics (cat. no. 6105.0).

POTENTIAL LABOUR IN THE LABOUR FORCE

The volume of potential labour preferred by the different population groups contributing to the volume measures, as well as the volume measures of labour force underutilisation rates, are shown in Table 3. In August 2011, hours preferred by the unemployed continued to form the largest component of the volume labour force underutilisation rate, accounting for 61.9% of the volume of unutilised labour. For males, hours preferred by the unemployed formed more than two thirds (67.8%) of the male volume labour force underutilisation rate. About 79.9% of unemployed males were looking for full-time work, compared to 60.5% of unemployed females.

For females, the potential hours of labour are more evenly split between the unemployed and underemployed, with unemployed females accounting for 55.2% of the additional hours sought by females. The total volume labour force underutilisation rate is over 1.8 percentage points higher among females (8.2%) than males (6.4%).

3. VOLUME MEASURES OF LABOUR UNDERUTILISATION - August 2011

		Males	Females	Persons
Volume of potential labour in the labour force				
Unemployed persons (hours of work sought)	'000 hours	11 679.4	7 944.8	19 555.6
Looking for full-time work	'000 hours	5 500.2	3 416.9	8 841.7
Looking for part-time work	'000 hours	2 581.1	2 229.6	2 438.3
Underemployed workers (additional hours of work preferred)	'000 hours	5 552.8	6 453.3	12 025.9
Underemployed full-time workers(a)	'000 hours	1 408.3	227.8	1 636.1
Underemployed part-time workers	'000 hours	4 205.2	5 943.8	10 149.0
Total volume of underutilised labour in the labour force	'000 hours	17 232.2	14 398.1	31 581.5

Employed persons (usual hours of work performed)(b)	'000 hours	252 230.2	160 597.3	412 827.5
Full-time workers	'000 hours	233 740.5	115 122.55	348 863.0
Part-time workers	'000 hours	18 489.6	45 474.8	63 964.5
Total volume of potential labour in the labour force(c)	'000 hours	269 462.4	174 995.4	444 409.0
Volume measures of labour force underutilisation				
Volume unemployment rate	%	4.3	4.5	4.4
Volume underemployment rate	%	2.1	3.7	2.7
Volume labour force underutilisation rate	%	6.4	8.2	7.1

(a) Full-time workers who worked less than 35 hours in the reference week for economic reasons (e.g. stood down, on short time or insufficient work).

(b) Actual hours worked in the reference week for underemployed full-time workers and usual hours worked for all other employed persons.

(c) Hours work preferred by unemployed persons, plus the total hours of work preferred by underemployed workers, plus the usual hours worked by employed persons who were not underemployed.

Source: ABS Australian Labour Market Statistics (6105.0).

Though underemployed workers want a significant number of extra hours of work, the volume of extra hours desired is generally less than the volume of hours desired by the unemployed reflecting that they are already contributing hours of work to the labour force. As a result, on an hours-adjusted or volume measure, unemployment may be seen as more important than underemployment. On average, unemployed people preferred 30.4 hours per week in August 2011, with males preferring 33.3 hours compared to 27.2 hours for females (Table 4). On average underemployed people preferred an additional 14.8 hours of labour per week, with males again preferring more hours (16.8 hours) than females (13.5 hours).

4. UNDERUTILISED LABOUR, Mean number of weekly hours preferred by selected groups - August 2011

	Males	Females	Persons
	hours	hours	hours
Unemployed persons (hours of work preferred)	33.3	27.2	30.4
Looking for full-time work	38.7	37.9	38.4
Looking for part-time work	18.8	19.4	19.2
Underemployed workers (additional hours of work preferred)	16.7	13.5	14.8
Underemployed full-time workers	24.0	18.3	23.0
Underemployed part-time workers	15.2	13.3	14.1

Source: Labour Force Survey, Australia (cat. no. 6202.0); Job Search Experience, Australia (cat. no. 6222.0); Underemployed Workers, Australia (cat. no. 6265.0)

FUTURE DEVELOPMENTS IN VOLUME MEASURES

From July 2013, the ABS intends to increase the frequency of the volume measures of labour from annual to quarterly, and change the source from the Job Search Experience and Underemployed Workers supplementary surveys to the LFS.

FURTHER INFORMATION

For further information on the concepts behind the volume measures, see the 'Experimental volume measures of labour underutilisation' article in the July 2003 issue of Australian Labour Market Statistics (cat. no. 6105.0).

Explanatory Notes

Data Cubes (I-Note) - Data Cubes

Tables 1 - 3 are updated on an annual basis. All three were updated in the July 2012 issue of Australian Labour Market Statistics (cat. no. 6105.0).